



City of Santa Barbara
Airport Department

Memorandum

DATE: April 21, 2010
TO: Airport Commission
FROM: Karen Ramsdell, Airport Director
SUBJECT: Airport Department Annual Budget for FY 2011

RECOMMENDATION: That Airport Commission review and recommend approval of the proposed Airport Department Fiscal Year 2011 Operating Budget.

Executive Summary

As an Enterprise Fund, the Airport's budget has been prepared based on forecasted revenues from generated rentals and user fees. Taken into consideration are the current economic crisis and the impact of the airline industry capacity reductions. Expenditures have been projected to include the additional costs of operating the new Airline Terminal which is scheduled to come on line in March 2011. The FY 2011 Budget is balanced with projected revenues, meeting both operational and capital improvement costs.

Incorporated in the FY 2011 budget will be the continuation of a new line item for General Aviation landing fees. This fee was approved by City Council in December 2009 and implemented on January 1, 2010. Also included is an \$80,000 pre-funded reimbursement from the Rental Car companies for the operating and maintenance expenses for the new rental car Quick Turn Facility.

There are two staffing changes proposed for the FY 2011 Budget: two vacant Patrol Officer positions are to be deleted, and one Security Operations Assistant position added to the Security Program. Such change will shift non-law enforcement duties to a lower step position. Additionally, two new Custodian positions have been proposed for the new Airline Terminal. These personnel changes can be made with an increase of \$17,141.

Narrative Analysis of Revenues:

Revenue assumptions for FY 2011 reflect the occupancy of the new Airline Terminal building in March 2011. Total revenues are \$13,065,477.

- Commercial and industrial revenues have been estimated at a 2% increase from the FY 2010 adopted budget. In the FY 2010 budget revenue estimates were reduced due to the economic crisis, leasing activity, however, has been somewhat stronger than estimated with a current building vacancy rate of 3.9%, and a land vacancy rate of 1.9%.
- Non-Commercial Aviation revenue is projected to have a 2% increase based on expected increase in fuel flowage fees with the new self-service fuel facility, and an increase in general aviation traffic.

- Terminal revenues are budgeted 1.5% above prior year based on increased food and beverage and retail concession revenues from the new Airline Terminal. Parking revenue to be flat. A decrease in the rental car revenue is based on a new RFP and anticipated lower minimum annual guarantees.
- Commercial Aviation revenues will increase 24%. Calculations are based on the occupancy of the new Airline Terminal when airline space triples in square footage in contrast to the current building.
- Interest is projected to be 25% below FY 2010; the TSA reimbursement for security screening response continues.
- No changes in parking fees are proposed for FY 2011.

Narrative Analysis of Expenditures

Expenditures have been projected based on historical trends. Overall, the Airport reduced materials and supplies by 6.6% in FY 2010. Experience has demonstrated that some of those reductions were too severe and it is projected that a net savings of 1.1% will occur by year end. Some of the operational line items have been adjusted upward. Total operational expenditures for FY 2011 are \$ 12,483,359. Transfers out to Capital Improvement Fund (\$550,000) and other Funds total an additional \$582,118.

Expenditure assumptions for FY 2011 projections and explanation of material budget variances in FY 2010:

- Salaries and Benefits in FY 2010 are projected to be below or at budget. The Security Program has two vacant Patrol Officer positions and recruitment efforts are on-going, but in order to cover the shifts, overtime has been used resulting in a substantial over expenditure in this line item. Additionally the City Furlough program will result in estimated savings of \$123,465.
- Total Material expenditures for FY 2010 are projected to be slightly under budget. The total cost for FY 2011 for Materials and Supplies (including a proposed 5% increase for ARFF) is 3% greater than FY 2010.
- Special Projects primarily pertains to the Parking Shuttle operation and the proposed budget is 23% above FY 2010 due to Living Wage adjustments, fuel costs and vehicle maintenance expense.
- Equipment, Non-Capital is projected to be \$24,610 or 28% below the FY 2010 amended Budget. All equipment funding requests are evaluated and alternative programs (rental companies, Public Works equipment exchange, etc.) examined.
- Total Expense including Capital transfers for FY 2011 is projected to be 3% below FY 2010 Amended Budget.

Narrative Analysis of Programmatic Changes

Significant changes in P3 objectives by program include new objectives pertaining to the new Airline Terminal operation.

Special projects and/or new initiatives contained in budget – A marketing event for the community to present the new Airline Terminal building is contained in the Marketing budget.

Service reductions or enhancements – increased staffing for custodians based on the new Airline Terminal which has three times the square feet as the current building.

Significant reallocation of resources between programs - none

Other Discussion Items:

All proposed staffing changes and funding – new positions and reclassified positions: the proposed staffing changes are anticipated to increase personnel costs by \$17,141. Funds for these changes are available in the projected 2011 revenues for the Department.

Proposed capital projects contained in budget submittal total \$550,000 and will be funded from projected FY 2011 revenues. No reserves above policy will be used.

- The FY 2011 Capital Program (Fund 442) totals \$550,000 for Airport projects which are focused on routine maintenance and repair categories.

Supplemental Items:

Staffing Hours and costs for proposed Hourly Employees:

- Security – 7431 - \$86,730
Seven Airport Traffic Aides – 1,000 each at \$12.25/hour

The cost for hourly employees will increase because of the need to staff the checkpoint exit lane in the new Airline Terminal building. The Airport is responsible for covering the doorway for exiting passengers which is located by the security screening area. This exit needs to be covered during the period that TSA is conducting passenger screening operations, approximately 16 hours per day.

Staff has looked at several options, including the use of technology, as an alternative to staffing the exit lane. However, the best way to avoid security breaches is to have a person at the exit lane to ensure that unauthorized persons do not enter the sterile area. Unauthorized entry into the sterile area (holding rooms) could result in the need to evacuate all passengers, search of the sterile areas for prohibited items, and re-screening all the evacuated passengers. Unless a technological method is established, the need for these positions will be on-going.

Summary Budget Spreadsheet

A summary by line item for the Operational budget, including FY 2009 Actual, FY 2010 Amended (includes carry forward expenses) and the proposed FY 2011 Budget, is attached.

Airport Commission Budget Sub Committee

On April 14, 2010, the Budget Sub Committee met and reviewed and commented on the FY 2011 budget. Commissioners requested information on some of the large variances in expenses from FY 2010 line items; most of the variances were due to excessive reductions in budgeting from the prior year. Additionally, the staff reported that Airport Policy Reserves were fully funded.

Summary Budget for Both Years (Current Data)
JULY 2009 - JUNE 2011
Fund: 441 Name: AIRPORT OPERATING FUND
Programs: 0000 - 9999
Objects: 40000 - 59999

Obj Description	FY 2009 Actual	FY 2010 Amended Budget	FY10/ FY09 Variance	FY11 Proposed Budget	FY11/ FY10 Variance
44100 INTEREST INCOME	\$ 488,458	\$ 310,000	-36.5%	\$ 231,100	-25%
44111 NET CHANGE IN INVEST FAIR VA	\$ 26,855				
44220 LEASES - COMMERCIAL/INDUSTRI	\$ 4,225,643	\$ 3,893,750	-7.9%	\$ 3,977,000	2%
44221 LEASES - NON-COMMERCIAL AVIA	\$ 1,180,533	\$ 1,075,875	-8.9%	\$ 1,095,875	2%
44222 LEASES - TERMINAL	\$ 4,748,794	\$ 4,853,050	2.2%	\$ 4,927,950	2%
44230 LEASES - COMMERCIAL AVIATION	\$ 2,172,218	\$ 2,113,451	-2.7%	\$ 2,637,000	25%
46872 AIRPORT REIMBURSEMENTS	\$ 382,746				
*** TOTAL USE OF MONEY & PRO	\$ 13,225,247	\$ 12,246,126	-7.4%	\$ 12,868,925	5%
48299 OTHER REVENUES	\$ 57,163		-100.0%		
48330 MISC. REVENUE-NOC	\$ 246,673	\$ 194,552	-21.1%	\$ 196,452	1%
48340 OVER/SHORT ACCOUNT	\$ (1,237)	\$ -		\$ 100	
48360 COMPENSATION-PROPERTY DAMAGE	\$ 1,521	\$ -		\$ -	
*** TOTAL OTHER REVENUES	\$ 304,121	\$ 194,552	-36.0%	\$ 196,552	1%
TOTAL REVENUE	\$ 13,529,368	\$ 12,440,678	-8.0%	\$ 13,065,477	5%
51011 SALARIES-PERMANENT	\$ 2,965,416	\$ 3,343,406	12.7%	\$ 3,456,245	3%
51019 FURLOUGH SAVINGS	N/A	\$ (123,465)		\$ -	-100%
51013 SALARIES-HOURLY	\$ 145,506	\$ 65,960	-54.7%	\$ 100,772	53%
51014 SALARIES-OVERTIME	\$ 228,976	\$ 75,800	-66.9%	\$ 75,800	0%
51015 SALARIES-VACATION CASHOUT	\$ 43,073	\$ -	-100.0%	\$ -	
51016 SALARIES-OT COMP TIME CASHOU	\$ 6,952	\$ -	-100.0%	\$ -	
51020 RETIREE MEDICAL	\$ 4,927	\$ 4,927	0.0%	\$ 7,721	57%
51021 BENEFITS-GRP. INSURANCE	\$ 502,519	\$ 608,635	21.1%	\$ 618,708	2%
51022 BENEFITS-RETIREMENT	\$ 616,271	\$ 672,623	9.1%	\$ 696,431	4%
51023 BENEFITS-WORKERS COMP/UNEMP.	\$ 78,803	\$ 87,954	11.6%	\$ 83,418	-5%
51024 MEDICARE	\$ 45,433	\$ 44,249	-2.6%	\$ 47,086	6%
51025 HOURLY EE RETIREMENT	\$ 1,976	\$ 857	-56.6%	\$ 1,310	53%
51026 HOURLY HEALTH CARE REIMBURSE	\$ 640	\$ -	-100.0%	\$ -	
51031 YEAR-END ACCRUAL -SAL & BENS	\$ 14,317	\$ -	12.7%	\$ -	3%
*** TOTAL SALARY AND BENEFIT	\$ 4,654,809	\$ 4,780,946	2.7%	\$ 5,087,491	6%
52110 OFFICE SUPPLIES & EXPENSE	\$ 20,430	\$ 21,200	3.8%	\$ 22,400	6%
52120 MAPPING,DRAFTING&PRESENTATIO	\$ 210	\$ 1,000	377.0%	\$ 1,000	0%
52130 CHEMICAL AND LANDSCAPING SUP	\$ 41,438	\$ 84,000	102.7%	\$ 83,000	-1%
52140 JANITORIAL & HSHLD SUPPLIES	\$ 87,386	\$ 76,400	-12.6%	\$ 100,400	31%

Obj Description	FY 2009 Actual	FY 2010 Amended Budget	FY10/ FY09 Variance	FY11 Proposed Budget	FY11/ FY10 Variance
52150 UNIFORM ALLOW & MNTNC	\$ 43,956	\$ 37,354	-15.0%	\$ 39,120	5%
52160 MINOR TOOLS	\$ 9,669	\$ 5,450	-43.6%	\$ 5,450	0%
52170 INSURANCE	\$ 162,127	\$ 77,958	-51.9%	\$ 26,520	-66%
52190 SPECIAL SUPPLIES AND EXPENSE	\$ 158,264	\$ 66,191	-58.2%	\$ 108,140	63%
52200 VEHICLE O&M EXPENSE	\$ 28	\$ -		\$ -	
52210 BUILDING MATERIALS	\$ 38,168	\$ 38,040	-0.3%	\$ 38,000	0%
52220 PLUMBING & ELECTRICAL	\$ 56,479	\$ 56,000	-0.8%	\$ 56,000	0%
52230 MOTOR VEHICLE EXPENSE	\$ 423	\$ -		\$ 10,200	
52240 PAVEMENT MAINTENANCE MATERIA	\$ 16,744	\$ 19,000	13.5%	\$ 19,000	0%
52310 FACILITIES MAINT.	\$ 532,073	\$ 681,655	28.1%	\$ 577,000	-15%
52320 MOBILE RADIO REPAIR/REPLACEM		\$ 750		\$ 750	0%
52330 EQUIPMENT REPAIR	\$ 31,599	\$ 6,600	-79.1%	\$ 32,600	394%
52410 PROFESSIONAL SERVICES-CONTRA	\$ 2,366,641	\$ 2,292,180	-3.1%	\$ 2,360,564	3%
52430 ENGINEERING SERVICES	\$ 361,509	\$ 345,282	-4.5%	\$ 342,013	-1%
52440 NON-CONTRACTUAL SERVICES	\$ 24,637	\$ 15,170	-38.4%	\$ 28,470	88%
52510 MEETING & TRAVEL	\$ 30,821	\$ 8,630	-72.0%	\$ 7,730	-10%
52520 MILEAGE REIMBURSEMENT		\$ -		\$ -	
52525 VEHICLE ALLOWANCE	\$ 7,344	\$ 7,050	-4.0%	\$ 7,050	0%
52530 DUES, MEMBERSHIPS, & LICENSE	\$ 34,720	\$ 32,825	-5.5%	\$ 35,977	10%
52540 PUBLICATIONS	\$ 9,356	\$ 9,505	1.6%	\$ 7,505	-21%
52550 TRAINING	\$ 42,319	\$ 52,500	24.1%	\$ 60,000	14%
52560 REGULATORY PERMITS AND FEES	\$ 3,871	\$ 6,000	55.0%	\$ 6,000	0%
52610 ADVERTISING	\$ 164,263	\$ 137,624	-16.2%	\$ 151,000	10%
52620 PRINTING & BINDING	\$ 20,805	\$ 17,900	-14.0%	\$ 23,400	31%
52640 POSTAGE/DELIVERY	\$ 15,591	\$ 16,220	4.0%	\$ 16,220	0%
52650 DUPLICATING	\$ -				
52710 GAS	\$ 16,859	\$ 18,000	6.8%	\$ 18,000	0%
52720 ELECTRIC	\$ 217,042	\$ 240,000	10.6%	\$ 312,000	30%
52730 WATER	\$ 276,618	\$ 360,000	30.1%	\$ 360,000	0%
52740 NON-ALLOCATED TELEPHONE	\$ 85,043	\$ 92,516	8.8%	\$ 93,330	1%
52750 WASTE DISPOSAL	\$ 70,902	\$ 69,000	-2.7%	\$ 74,100	7%
52760 VEHICLE FUEL	\$ 50,228	\$ 57,400	14.3%	\$ 57,050	-1%
52820 EQUIPMENT RENTAL	\$ 39,625	\$ 32,200	-18.7%	\$ 51,200	59%
*** TOTAL MATERIALS	\$ 5,037,186	\$ 4,981,600	-1.1%	\$ 5,131,189	3%
52901 DESKTOP INFORMATION SYSTEMS	\$ 70,421	\$ 65,491	-7.0%	\$ 65,440	0%
52903 BUILDING MAINTENANCE	\$ 252	\$ -	-100.0%	\$ 1,585	
52903 GIS ALLOCATIONS	\$ 1,715	\$ 1,595	-7.0%	\$ -	-100%
52930 VEHICLE REPLACEMENT	\$ 134,991	\$ 135,275	0.2%	\$ 105,601	-22%
52950 VEHICLE MAINTENANCE	\$ 304,502	\$ 231,598	-23.9%	\$ 227,555	-2%
52961 TELEPHONE	\$ 898	\$ 835	-7.0%	\$ 960	15%
52963 COMMUNICATIONS	\$ 34,188	\$ 31,795	-7.0%	\$ 60,949	92%
52970 LIABILITY INSURANCE	\$ 56,412	\$ 60,871	7.9%	\$ 58,637	-4%
52971 PROPERTY INSURANCE	\$ 127,094	\$ 106,520	-16.2%	\$ 94,709	-11%
52980 OVERHEAD ALLOCATION	\$ 790,493	\$ 676,382	-14.4%	\$ 608,318	-10%

Obj Description	FY 2009 Actual	FY 2010 Amended Budget	FY10/ FY09 Variance	FY11 Proposed Budget	FY11/ FY10 Variance
*** TOTAL ALLOCATED COSTS	\$ 1,520,966	\$ 1,310,362	-13.8%	\$ 1,223,754	-7%
53130 SPECIAL PROJECTS	\$ 582,234	\$ 742,838	27.6%	\$ 912,307	23%
*** TOTAL SPECIAL PROJECTS	\$ 582,234	\$ 742,838	27.6%	\$ 912,307	23%
54110 TRANSFERS OUT	\$ -	\$ 7,351		\$ 31,049	322%
54510 CAPITAL OUTLAY TRANSFER	\$ 2,502,062	\$ 675,240	-73.0%	\$ 551,069	-18%
*** TOTAL TRANSFERS	\$ 2,502,062	\$ 682,591	-72.7%	\$ 582,118	-15%
56110 EQUIPMENT	\$ 47,757	\$ 32,852	-31.2%	\$ 24,000	-27%
56120 COMPUTER HARDWARE	\$ 10,977	\$ -	-100.0%	\$ -	
56140 COMPUTER SOFTWARE UNDER \$5,0	\$ 4,571	\$ 1,360	-70.2%	\$ 610	-55%
*** TOTAL EQUIPMENT, NON CAP	\$ 63,305	\$ 34,212	-46.0%	\$ 24,610	-28%
57120 MOTOR VEHICLES	\$ 39,532	\$ -	-100.0%	\$ -	
57130 OTHER EQUIPMENT					
*** TOTAL EQUIPMENT CAPITAL	\$ 39,532	\$ -	-100.0%	\$ -	
S8290 APPROP. RESERVE	\$ -	\$ 191,045		\$ 104,008	-46%
*** TOTAL MISCELLANEOUS	\$ -	\$ -		\$ -	
TOTAL EXPENSE	\$ 14,400,094	\$ 12,723,594	-11.6%	\$ 13,065,477	3%
Net Total for Fund: 441	\$ (870,727)	\$ (282,916)		\$ -	